

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re: _____

Chapter 11 Case No.

Lehman Brothers Holdings Inc., et al.,

08-13555

Debtors.

JANUARY 2014 POST-EFFECTIVE OPERATING REPORT

JANUARY 2014

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS

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REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC., AS PLAN ADMINISTRATOR

Date: February 28, 2014

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SCHEDULE OF DEBTORS

The following entities (the “Debtors”) filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on the dates indicated below. On December 6, 2011, the Bankruptcy Court confirmed the Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors (the “Plan”). On March 6, 2012, the “Effective Date” (as defined in the Plan) occurred. The Debtors’ Chapter 11 cases remain open as of the date hereof.

	<u>Case No.</u>	<u>Date Filed</u>
Lehman Brothers Holdings Inc. (“LBHI”)	08-13555	9/15/2008
LB 745 LLC.....	08-13600	9/16/2008
PAMI Statler Arms LLC.....	08-13664	9/23/2008
Lehman Brothers Commodity Services Inc. (“LBCS”)	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. (“LBSF”)	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. (“LOT”).....	08-13893	10/3/2008
Lehman Brothers Derivative Products Inc. (“LBDP”)	08-13899	10/5/2008
Lehman Commercial Paper Inc. (“LCPI”).....	08-13900	10/5/2008
Lehman Brothers Commercial Corporation (“LBCC”)	08-13901	10/5/2008
Lehman Brothers Financial Products Inc. (“LBFP”)	08-13902	10/5/2008
Lehman Scottish Finance L.P.	08-13904	10/5/2008
CES Aviation LLC	08-13905	10/5/2008
CES Aviation V LLC.....	08-13906	10/5/2008
CES Aviation IX LLC	08-13907	10/5/2008
East Dover Limited	08-13908	10/5/2008
Luxembourg Residential Properties Loan Finance S.a.r.l.....	09-10108	1/7/2009
BNC Mortgage LLC	09-10137	1/9/2009
LB Rose Ranch LLC	09-10560	2/9/2009
Structured Asset Securities Corporation.....	09-10558	2/9/2009
LB 2080 Kalakaua Owners LLC	09-12516	4/23/2009
Merit LLC	09-17331	12/14/2009
LB Somerset LLC.....	09-17503	12/22/2009
LB Preferred Somerset LLC.....	09-17505	12/22/2009

The Company has established an email address to receive questions from readers regarding this presentation. The Company plans to review questions received and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiation disadvantage, or (iii) be unduly burdensome, the Company shall endeavor to post a response (maintaining the anonymity of the question origination) on the Epiq website maintained for the Company: www.lehman-docket.com. The Company assumes no obligation to respond to e-mail inquiries. Please email questions in clear language with document references to QUESTIONS@lehmanholdings.com.

LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES

**BASIS OF PRESENTATION
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
JANUARY 1, 2014 – JANUARY 31, 2014**

The information and data included in this January 2014 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator, and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, which includes certain information as required by the Office of the US Trustee, based on the information available to LBHI at this time, but notes that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

Other items:

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future. Cash balances and activity denominated in foreign currencies have been converted to US Dollars.
2. Beginning and ending balances include demand deposits, interest-bearing deposits with banks, U.S. and foreign money-market funds, U.S. government obligations, U.S. government guaranteed securities, investment grade corporate bonds and commercial paper, and AAA-rated asset-backed securities secured by auto loans and credit card receivables.
3. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
4. Beginning and ending cash and investment balances exclude the following:
 - Cash posted as collateral for hedging activity; and
 - Cash held at real estate owned properties or at third party real estate managers.

5. Restricted cash balances are based on preliminary estimates and are comprised of the following items as of January 31, 2014:

(\$ in millions)	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total		
Reserves for Claims:							
Disputed unsecured claims ⁽¹⁾	\$ 2,464	\$ 2,397	\$ 31	\$ 1,675	\$ 6,567	\$ -	\$ 6,567
Priority tax claims ⁽²⁾	406	117	0	5	527	-	527
Distributions on Allowed Claims (not remitted) ⁽³⁾	250	57	260	3	570	-	570
Secured, Admin, Priority Claims and Other ⁽⁴⁾	1,291	16	31	14	1,352	-	1,352
Subtotal, Claims Reserves	4,412	2,587	321	1,697	9,016	-	9,016
Cash pledged to JPMorgan (CDA) ⁽⁵⁾	313	-	-	-	313	-	313
Citigroup and HSBC ⁽⁶⁾	2,039	-	-	-	2,039	-	2,039
Tax reserves to be released ⁽⁷⁾	927	-	-	-	927	-	927
Other ⁽⁸⁾	327	1	59	29	417	37	454
Total	\$ 8,018	\$ 2,587	\$ 381	\$ 1,726	\$ 12,713	\$ 37	\$ 12,750

Totals may not foot due to rounding.

- (1) Represents the cash reserve for disputed unsecured claims after the fourth Plan distribution on October 3, 2013.
- (2) In December 2010, the Internal Revenue Service (“IRS”) filed proofs of claims against certain Debtor entities which asserted an aggregate liability against the Company of approximately \$2.3 billion (“Original Claims”), which the Company disputed. The Debtors had restricted approximately \$2.3 billion of cash as reserves against these disputed claims. On December 10, 2013, the IRS filed proofs of claim amending and superseding its Original Claims which reduced the asserted aggregate liability by approximately \$1.8 billion to approximately \$510 million. As a result, the Debtors reduced the cash reserved against these disputed claims by approximately \$1.8 billion in December 2013.
- (3) Represents unpaid Plan distributions to holders of Allowed Claims of approximately \$437 million for distributions held pending resolution of various items described in settlement agreements with certain Non-Controlled Affiliates and approximately \$133 million related to (i) claimants who failed to submit the proper taxpayer identification number forms and/or Office of Foreign Asset Control (“OFAC”) forms and (ii) resolution of other open items.
- (4) Includes approximately \$1.2 billion reserved at LBHI for a disputed claim of the Federal Home Loan Mortgage Corporation (“Freddie Mac”) that was asserted with priority status, \$71 million related to post-petition intercompany payables, \$18 million related to disputed secured claims, \$2 million related to administrative claims and \$55 million related to other administrative activities and other. The Company entered into a settlement agreement with Freddie Mac in February 2014 [Docket No. 42754]; as a result, restricted cash balances will be adjusted in future Operating Reports.
- (5) Represents \$313 million of cash deposited into accounts by LBHI and pledged to JPMorgan (and its affiliates, “JPM”) pursuant to paragraph 6(b) of the Collateral Disposition Agreement (“CDA”) with JPM effective March 31, 2010; related to, but not limited to, clearance exposures and derivative exposures pending resolution of these items.
- (6) Represents cash deposited on or prior to September 15, 2008 by the Company in connection with certain requests and/or documents executed by the Company and Citibank N.A. of approximately \$2 billion and HSBC Bank PLC of \$32 million, including interest earned thereon. The Company is in discussion with HSBC Bank and commenced litigation against Citigroup regarding these deposits, among other things.

- (7) Approximately \$0.9 billion of cash is restricted at LBHI for the portion of \$1.8 billion reduction in the aggregate tax liability previously contributed to LBHI by certain Debtors and Debtor-Controlled Entities. (Refer to footnote (2) above). Such funds are anticipated to be released to certain Debtors and Debtor-Controlled Entities in advance of the fifth scheduled Plan distribution to creditors.
- (8) Other includes (i) various pre-petition balances on administrative hold by certain financial institutions of \$91 million; (ii) asserted misdirected wires and other cash received by LBHI for the benefit of third parties and Non-Controlled Affiliates of approximately \$68 million; (iii) cash collected by LCPI on behalf of a third party of \$54 million related to a loan participation agreement; (iv) cash collected by LBHI on behalf of Debtor-Controlled Entities of \$162 million; and (v) other miscellaneous items of \$79 million.

Restricted cash balances herein do not include other cash reserves required for operating expenses, asset preservation and other commitments (e.g. unfunded loans or anticipated investments).

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Summary Schedule of Cash Receipts and Disbursements
January 1, 2014 - January 31, 2014

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors					Debtor-Controlled Entities			Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total	LB I Group	Other	Total	
Beginning Free Cash and Investments (1/1/14)	\$ 1,398	\$ 633	\$ 1,029	\$ 374	\$ 3,435	\$ 255	\$ 2,045	\$ 2,300	\$ 5,735
Restricted Cash	8,017	2,587	380	1,725	12,710	4	58	62	12,772
Beginning Total Cash and Investments	9,416	3,220	1,409	2,100	16,145	259	2,103	2,362	18,507
Sources of Cash									
Commercial Real Estate	93	-	274	-	367	-	127	127	494
Loans (Corporate and Residential)	10	-	9	-	19	-	20	20	39
Private Equity / Principal Investing	16	-	7	-	23	11	0	11	34
Derivatives	-	84	2	1	87	-	-	-	87
Receipts from Affiliates	37	2	-	-	40	-	0	0	40
Other	131	1	3	0	135	0	1	1	136
Total Sources of Cash	288	87	295	1	671	11	148	159	830
Uses of Cash									
Non-Operating									
Commercial Real Estate	(7)	-	(0)	-	(7)	-	(3)	(3)	(10)
Loans (Corporate and Residential)	(0)	-	(0)	-	(0)	-	-	-	(0)
Private Equity / Principal Investing	(0)	-	-	-	(0)	(0)	-	(0)	(0)
Derivatives	-	(0)	-	-	(0)	-	-	-	(0)
Payments to Creditors	(6)	0	-	(0)	(6)	-	-	-	(6)
Other	(1)	-	-	(0)	(1)	-	(2)	(2)	(3)
Operating Expenses	(73)	(0)	(0)	(0)	(73)	(0)	(11)	(11)	(84)
Total Uses of Cash	(86)	(0)	(0)	(0)	(87)	(0)	(16)	(16)	(103)
Net Cash Flow	201	87	294	1	584	11	132	143	726
Inter-Company Transfers, Net	26	0	24	1	52	4	(56)	(52)	(0)
Loan Agencies, Net	-	-	1	-	1	-	-	-	1
FX Fluctuation	(2)	0	(0)	(0)	(2)	(0)	(0)	(0)	(2)
Ending Total Cash and Investments	9,642	3,307	1,728	2,102	16,779	274	2,179	2,453	19,232
Restricted Cash	(8,018)	(2,587)	(381)	(1,726)	(12,713)	(4)	(33)	(37)	(12,750)
Ending Free Cash and Investments (1/31/14)	\$ 1,624	\$ 720	\$ 1,347	\$ 376	\$ 4,067	\$ 270	\$ 2,146	\$ 2,416	\$ 6,483

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".
Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
January 1, 2014 - January 31, 2014

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors					Debtor-Controlled Entities			Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total	LB I Group	Other	Total	
Beginning Free Cash and Investments (1/1/14)	\$ 1,398	\$ 633	\$ 1,029	\$ 374	\$ 3,435	\$ 255	\$ 2,045	\$ 2,300	\$ 5,735
Restricted Cash	8,017	2,587	380	1,725	12,710	4	58	62	12,772
Beginning Total Cash and Investments	9,416	3,220	1,409	2,100	16,145	259	2,103	2,362	18,507
Sources of Cash									
Commercial Real Estate									
Principal (a)	93	-	273	-	366	-	126	126	492
Interest	0	-	1	-	1	-	1	1	2
Loans (Corporate and Residential)									
Principal	9	-	8	-	18	-	16	16	34
Interest	1	-	1	-	2	-	3	3	5
Private Equity / Principal Investing									
Principal	8	-	7	-	14	11	0	11	25
Interest and Dividends	8	-	0	-	8	0	-	0	8
Derivatives									
Return / (Posting) of Hedging Collateral, net	-	(7)	-	-	(7)	-	-	-	(7)
Collections from Live / Terminated Trades	-	91	2	1	94	-	-	-	94
Other	-	0	-	(0)	0	-	-	-	0
Receipts from Affiliates									
Distributions from Non-Controlled Affiliates (b)	37	2	-	-	40	-	0	0	40
Other									
Other (c)	131	1	3	0	135	0	1	1	136
Total Sources of Cash	288	87	295	1	671	11	148	159	830

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".
Totals may not foot due to rounding.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
January 1, 2014 - January 31, 2014

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors					Debtor-Controlled Entities			Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total	LB I Group	Other	Total	
Uses of Cash									
Non-Operating									
Commercial Real Estate									
Preservation of Assets	(7)	-	(0)	-	(7)	-	(3)	(3)	(10)
Loans (Corporate and Residential)									
Preservation of Assets	(0)	-	(0)	-	(0)	-	-	-	(0)
Private Equity / Principal Investing									
Capital Calls	(0)	-	-	-	(0)	(0)	-	(0)	(0)
Derivatives									
Payments on Live Trades	-	(0)	-	-	(0)	-	-	-	(0)
Payments to Creditors									
Plan Distributions	0	0	-	(0)	(0)	-	-	-	(0)
Payments to Creditors	(6)	-	-	-	(6)	-	-	-	(6)
Other									
Other	(1)	-	-	(0)	(1)	-	(2)	(2)	(3)
Operating Expenses	(d)								
Compensation and Benefits	(e)	(61)	-	-	(61)	-	(8)	(8)	(68)
Professional Fees		(5)	-	(0)	(5)	-	(2)	(2)	(7)
Other	(f)	(6)	(0)	(0)	(7)	(0)	(2)	(2)	(9)
Total Uses of Cash	(86)	(0)	(0)	(0)	(87)	(0)	(16)	(16)	(103)
Net Cash Flow	201	87	294	1	584	11	132	143	726
Inter-Company Receipts	(g)	46	5	24	77	7	41	48	125
Inter-Company Disbursements	(g)	(20)	(5)	(0)	(25)	(4)	(96)	(100)	(125)
Loan Agencies, Net		-	-	1	1	-	-	-	1
FX Fluctuation		(2)	0	(0)	(2)	(0)	(0)	(0)	(2)
Ending Total Cash and Investments	(h)	9,642	3,307	1,728	2,102	274	2,179	2,453	19,232
Restricted Cash		(8,018)	(2,587)	(381)	(1,726)	(4)	(33)	(37)	(12,750)
Ending Free Cash and Investments (1/31/14)	\$	1,624	\$ 720	\$ 1,347	\$ 376	\$ 270	\$ 2,146	\$ 2,416	\$ 6,483

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities
Schedule of Cash Receipts and Disbursements
January 1, 2014 - January 31, 2014

Unaudited (\$)

Notes:

(a) Cash collections primarily include (i) \$67 million at LBHI, through its wholly-owned subsidiary ACQ SPV I Holdings LLC ("ACQ Holdings"), (ii) \$266 million at LCPI, including \$172 million through its wholly-owned subsidiaries ACQ SPV I Paper LLC and ACQ SPV II Paper LLC ("ACQ Paper"), (iii) \$90 million at Luxembourg Residential Properties Loan Finance Sarl, which is shown in Other Debtor-Controlled Entities, and (iv) \$31 million at Other Debtor-Controlled Entities, from the sale of a portion of the Company's holdings in AvalonBay Communities Inc. ("AVB", NYSE: AVB) and Equity Residential ("EQR", NYSE: EQR).

During the period October 1, 2013 through January 31, 2014, the Company collected approximately \$1,358 million from the sale of common shares of, and dividends distributions from, EQR and AVB, which were received: (i) \$201 million at LBHI, through ACQ Holdings, (ii) \$797 million at LCPI, including \$515 million through ACQ Paper, (iii) \$270 million at Luxembourg Residential Properties Loan Finance Sarl, which is shown in Other Debtor-Controlled Entities, and (iv) \$90 million at Other Debtor-Controlled Entities. During the month of February 2014, the Company sold all its remaining common shares of EQR and AVB for total proceeds of approximately \$568 million.

(b) Distributions from Non-Controlled Affiliates primarily include distributions from Lehman Brothers Investments PTE of \$31 million to LBHI.

(c) Other primarily includes \$125 million received by LBHI in connection with a settlement with a group of insurers.

(d) A portion of the Operating Expenses paid by LBHI is subject to allocations to, and reimbursement from, various Controlled Entities.

(e) Compensation and Benefits includes the Company's employee expenses as well as Alvarez & Marsal (A&M) October and November invoices totaling \$6.2 million. Compensation and Benefits includes bonus payments of approximately \$50 million to Lehman employees for services performed in 2013.

(f) Operating Expenses - Other includes expenses related to outsourced services, IT, occupancy, taxes, insurance and other general administrative items.

(g) Inter-Company Receipts and Disbursements primarily include partial repayments on intercompany balances and other administrative activities.

(h) Ending Total Cash and Investments for Debtor-Controlled Entities - Other includes \$357 million of cash balances at Debtor-Controlled Entities in Asia.

LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES

**BASIS OF PRESENTATION
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS
JANUARY 1, 2014 – JANUARY 31, 2014**

The information and data included in this January 2014 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities had filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, including certain information as required by the Office of the United States Trustee, based on the information available to LBHI at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future.
2. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Company has incurred additional professional fee expenses during the reporting period that will be reflected in future Operating Reports as cash payments are made to providers.
3. The professional fee disbursements presented in this report have primarily been paid by LBHI; a portion of these fees have been and will be allocated to Debtors and certain Controlled Entities based on the dedicated costs associated with each entity and an allocation methodology.

LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled Entities
Schedule of Professional Fee and Expense Disbursements
January 2014 (a)

Unaudited (\$ in thousands)

		Jan-2014
Alvarez & Marsal LLC	Interim Management	\$ 6,233 (b)
Professional Fees		
Akerman Senterfitt & Eidson PA	Special Counsel	79 (b)
Arnold & Porter, LLP	Special Counsel	574 (b)
Bickel & Brewer	Special Counsel - Real Estate	499
Epiq Bankruptcy Solutions LLC	Claims Management and Noticing Agent	263
Milbank Tweed Hadley & McCloy LLP	UCC Litigation Committee and Litigation Counsel	713 (b)
Pachulski Stang Ziehl & Jones	Special Counsel - Real Estate	53
US Trustee Quarterly Fees		353
Other Professionals - Legal	Various	3,297 (c)
Other Professionals - Non-Legal	Various	1,252 (c)
Other Professionals - Asia	Various	251 (c)
Sub-total Professional Fees		7,334
Total Professional Fees (including A&M)		13,567

(a) The Company has incurred additional professional fee expenses that will be reflected in future Operating Reports.

(b) Reflects professional fees incurred for multiple months.

(c) Other Professionals reflect disbursements, including expert witnesses fees, to over 100 vendors.